

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

June 13, 2008

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Hawai'i

Consent to Mortgage and Extension of Lease Term, General Lease No. S-4333,
Hawaiian Fruit Flavors, Inc., Lessee, Waiakea, South Hilo, Hawaii, Tax Map Key:
3rd/2-2-37:56.

APPLICANT AND REQUEST:

Consent to Mortgage from First Hawaiian Bank, Mortgagee, to Hawaiian Fruit Flavors,
Inc., in an amount not to exceed \$ 50,000.00

For Mortgagor to qualify for this mortgage, Mortgagee requires an extension of General
Lease No. S-4333 of fifteen (15) years, commencing on July 15, 2011 and expiring on
July 14, 2026 for an aggregate term of 55 years.

LEGAL REFERENCE:

Sections 171-22 and 36(b), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Lot 2, Block 39, Waiakea House Lots situated at
Waiakea, South Hilo, Hawaii, identified by Tax Map Key: 3rd/2-2-37:56, as shown on the
attached map labeled Exhibit A.

AREA:

.448 acres (19,500 sq.ft.), more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Light industrial purposes.

TERM OF LEASE:

The original term of 40 years, commencing on 7/15/1971 and expiring on 7/14/2011.
Last rental reopening occurred on 7/15/2001; there no further rental reopenings.

Requested extension of fifteen (15) years commencing on July 15, 2011 and expiring on
July 14, 2026.

ANNUAL RENTAL:

Current rent is \$10,238.00, due in semi-annual installments of \$5,119.00 on January 15
and July 15 of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 20th and 30th years of the lease.
The last rental reopening occurred on July 15, 2001.

Reopenings for the extended term shall be on June 13, 2008 (immediate reopening), and
July 15, 2018 (approximately 10th year of additional term).

USE OF LOAN PROCEEDS:

An itemized breakdown of how the loan funds will be used is attached as Exhibit B.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u> </u>

APPLICANT REQUIREMENTS:

Applicant shall be required to pay for an appraisal for the immediate rental reopening.

REMARKS:

General Lease No. S-4333 was sold to Hawaiian Fruit Flavors, Inc., the highest bidder at public auction of government leases held on April 16, 1971 for a period of forty (40) years. The current structure was erected the following year.

At its meeting of April 9, 1998 under agenda item D-7, the Board consent to the sublease agreements between Hawaiian Fruit Flavors, Inc., as Sublessor and Panaewa Distribution Center and Papaya Orchards of Hawaii, Inc., as Sublessee's on a month-to-month basis. There is no documentation of when the subleases were cancelled.

On June 22, 2007 the Chairperson consented to the sublease agreement between Hawaiian Fruit Flavors, Inc. as Sublessor and Matsuyama Roofing & Co. Inc. as Sublessee.

The Lessee has made substantial improvements to the property including repairing and resurfacing the pavement, remodeling and renovating the interior warehouse bays and other general repairs in order to maintain the property in a marketable condition. Proceeds from the mortgage will be used to finance these improvements. The effective date of the mortgage is April 30, 2008 and all payments are due no later than June 1, 2023.

The lease property has been utilized for industrial purposes consistent with all State and County ordinances.

The Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The lessee is compliant with all the terms and conditions of the lease with regards to rent and liability/property insurance. The performance bond requirement was waived by the Board at its meeting of May 10, 1996, under agenda item D-14. Staff is recommending that the performance bond requirement be reinstated in an amount equal to twice the annual rent as stated in the lease agreement.


The last rental reopening occurred on 7/15/2001.
There are no outstanding rental reopening issues.

RECOMMENDATION:

That the Board, subject to the Applicant fulfilling the Applicant requirement listed above:

1. Consent to the mortgage between Hawaiian Fruit Flavors, Inc., Mortgagor, and First Hawaiian Bank, Mortgagee, subject to the following:
 - A. The loan proceeds shall be used solely for the operations or improvements of the leased premises as identified in the "Use of Loan Proceeds" section above. The Lessee shall maintain records of loan expenditures, which may be inspected by the Department;
 - B. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
2. Authorize the extension of General Lease No. S-4333 under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current lease extension form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other conditions as may be prescribed by the Chairperson, which are in the best interests of the State.
3. Re-impose performance requirement.

Respectfully Submitted,

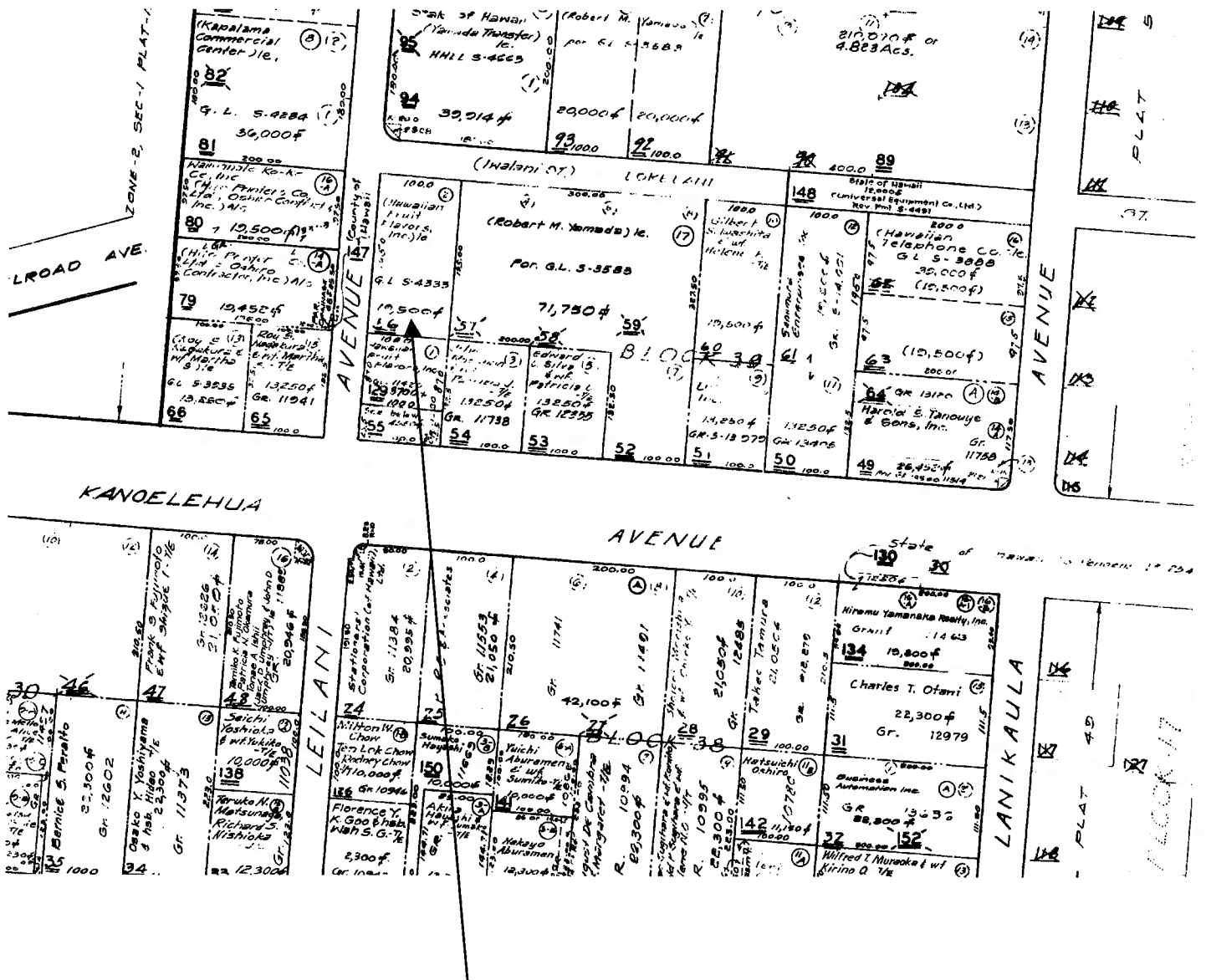


KPH Gordon C. Heit
Land Agent

APPROVED FOR SUBMITTAL:



Laura H. Thiel, Chairperson



SUBJECT PROPERTY

GL S-4333

EXHIBIT A



0 60 120 240 360 480 Feet



Kawika Ohana LLC

60 Panaewa Street
Hilo, Hawaii 96720
Phone 808 935-7424

INVOICE

Invoice number # 1089

Date December 28, 2007

To: Hawaii Fruit Flavors

<u>Description</u>	<u>Time</u>	<u>Rate</u>	<u>Amount</u>
<u>Planned Improvements</u>			
Backhoe rental	3 days	\$300.00	\$900.00
Skid Steer rental	3 days	\$200.00	\$600.00
Gravel Hauling	4 loads	\$50.00	\$200.00
Rubbish Hauling	8 loads	\$50.00	\$400.00
Interior Demolition			\$3,800.00
County of Hawaii- Rubbish cost			\$348.75
Jas W. Glover gravel cost			\$1,502.49
Concrete			\$1,200.00
Roll-Up Door			\$4,000.00
Removal of refer -demo and rubbish disposal			\$6,000.00
Office in Bay A material and labor			\$22,000.00
Sub-Total		ERR	
GE Tax			<u>\$1,706.38</u>
TOTAL			<u>\$42,657.62</u>